

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

**Post:** Jakarta

### U.S. Dairy Products Entry into the Indonesian Market

**Report Categories:**

Export Accomplishments - Other

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**Report Highlights:**

In April 2011, Embassy Jakarta's Office of Agricultural Affairs (OAA) assisted in securing the release of 43 containers of non-fat dry milk (NFDm) as well as prevented the possible detainment of six containers of whey, and several other containers of U.S. dairy products.

**General Information:**

Export Accomplishment - Other (Market Access)

**WHAT, WHERE, AND WHEN**

In April 2011, Embassy Jakarta's Office of Agricultural Affairs (OAA) assisted in securing the release of 43 containers of non-fat dry milk (NFDM). The shipments were detained by Indonesian port officials due to widespread confusion regarding import permits and other relevant documents. During that same month, Post also prevented the possible detainment of six containers of whey, and several other containers of U.S. dairy products. These interventions resulted in the release of \$ 3 million of U.S. dairy products and preserved continued access to this growing market.

Post officials, in close cooperation with the U.S. Dairy Export Council, worked to identify the root causes of these detentions. Post concluded that a lack of clear Ministry of Agriculture (MOA) guidelines, general importer confusion, and Indonesian regulatory misunderstanding by U.S exporters created the conditions for the aforementioned detainments. The OAA staff spearheaded efforts to engage closely with the Ministry of Agriculture (MOA), FAS Washington, and USDEC to address exporter and importer confusion vis-à-vis the MOA's regulations. Post also engaged closely with the MOA, leading to an audit of the U.S. food safety system for dairy in the United States in September 2011. Following the audit, Post continued to engage closely with the MOA, USDEC, and Indonesian importers to establish clear and more transparent guidelines for Indonesian importers and U.S. exporters. As a result, Indonesian MOA guidelines for importing dairy products are clearer and more transparent. This makes it easier for importers to obtain import recommendations from the MOA, which facilitates enhanced commercial opportunities with U.S. suppliers.

**HOW**

On June 4, 2009, the Indonesian Parliament announced Law 18/2009, requiring any foreign exporters of animal-based products, including dairy, to prelist their establishments with the MOA's Directorate General for Livestock and Animal Health Services (DGLAHS). As a result, U.S. companies wishing to become "prelisted" are required to submit a DGLAHS questionnaire describing their compliance with the U.S. food safety system. Upon receipt of the questionnaire, DGLAHS officials conduct a desk review and add the name of the plant to the prelist.

Although the questionnaire calls for a U.S. veterinary official to sign the document, certain aspects of the questionnaire cannot be verified and/or certified by U.S. officials. These unverifiable aspects include information that is commercial in nature and not related to food safety. Post negotiated with DGLAHS officials and received permission to substitute the U.S. veterinary signature with a cover letter signed by OAA officials. The OAA cover letter states that the applying plant is listed under the USDA's Agricultural Marketing Service list and/or the Food and Drug Administration's Interstate Milk Shippers List.

The desk review process takes approximately two to four weeks to complete. In the past, the lengthy time required for the requisite desk review created challenges for Indonesian importers and U.S.

exporters. Once U.S. plants are prelisted, Indonesian importers can proceed to obtain an import permit. Indonesian importers cannot receive the necessary import permit unless their U.S. supplier meets the aforementioned requirements.

The OAA continues to conduct stakeholder outreach on the U.S. – Indonesia arrangement including a public seminar held on June 12, 2012, which was attended by approximately 30 participants. Representatives of USDEC also attended the event and took the opportunity to meet with their Indonesian customers. Post uploaded the information shared during the event on FAS Jakarta's website: <http://usdaindonesia.org/>. The information posted online also provides regular updates on which U.S. dairy plants have been approved by DGLAHS to export to Indonesia.

Post's public outreach activities are working and Indonesian importers have gained a better understanding of how to obtain dairy import recommendations for products from the United States. Importers are working with their U.S. suppliers to complete the DGLAHS questionnaire and provide other necessary supporting documents.

Since the June, 2012 over 50 U.S. dairy plants have been actively exporting to Indonesia. Post expects that number to grow as the market continues to develop. Moreover, Post expects fewer problems as stakeholders now have a clearer path for smoother trade.

## WHY

Indonesia is the seventh largest market for U.S. dairy products in the world. In CY 2011 the value of U.S. dairy products export to Indonesia set a record high of \$210 million, compared to the previous CY 2010 of \$159 million.

GOI efforts to maintain economic and political stability, intensive advertising on printed and electronic media, in store promotions, growing middle income class, and a growing consumer awareness of the health benefits of drinking milk will increase overall Indonesian consumption of dairy and dairy products by 7 percent in 2012. Recently, the United States became a leading supplier of Non Fat Dry Milk to Indonesia. Top ten suppliers of Non Fat Dry Milk to Indonesian market can be seen in the following table:

Indonesia Import Statistics								
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%								
Year To Date: January - December								
Partner Country	Unit	Quantity			% Share			% Change 2011/2010
		2009	2010	2011	2009	2010	2011	
World	T	103801	132227	127770	100.00	100.00	100.00	- 3.37
United States	T	20937	40625	46332	20.17	30.72	36.26	14.05
Australia	T	16883	17487	25785	16.26	13.23	20.18	47.45
New Zealand	T	48459	33502	24377	46.68	25.34	19.08	- 27.24
Belgium	T	1525	5352	6146	1.47	4.05	4.81	14.83
Netherlands	T	8011	10775	4948	7.72	8.15	3.87	- 54.08
France	T	254	10739	4528	0.24	8.12	3.54	- 57.84
Ireland	T	566	3448	3760	0.55	2.61	2.94	9.05

Germany	T	2013	3824	3718	1.94	2.89	2.91	- 2.78
Canada	T	1775	1650	3050	1.71	1.25	2.39	84.85
Denmark	T	1699	1743	1635	1.64	1.32	1.28	- 6.19

Source: Global Trade Atlas.

The opportunity for U.S. dairy products in this market remains bright as the local dairy manufacturers are now sourcing more and more of the dairy products ingredients from the United States. Ensuring a smooth trade between the two countries is essential to expand the market for U.S. dairy products.

## WHO

Attached is the list of 53 U.S. dairy plants which are now eligible to export U.S. dairy products to Indonesia. Highlighted in yellow are those whose shipments were managed to be released or prevented from detainment by close cooperation between Post and DGLAHS.